

Transportation and Michigan's Economy

A briefing from the Michigan Department of Transportation

Our growing economy depends on a comprehensive transportation system that quickly and efficiently moves people, goods and services.

As U.S. Transportation Secretary Norman Mineta told Congress recently, "Transportation is key to the productivity, and therefore the success, of virtually every business in America."

The economic benefits of transportation investment are many. Investment boosts industrial competitiveness and household income. It strengthens local, regional and state economies; improves business and leisure travel, and reduces economic losses from crashes and congestion. Obviously, it also assists in creating jobs in the transportation sector.

Michigan has become a world-class hub served by an outstanding network of passenger and freight airports, rail lines, freeways and seaports.

The transportation industry in America accounts for 11 percent of our economy, just behind healthcare's 15 percent. In 1999, transportation-related goods and services contributed nearly a trillion dollars to a \$9.3 trillion dollar U.S. gross domestic product. In Michigan alone, the transportation industry generated more than \$8 billion in 1999.

While transportation costs have steadily declined since the 1800s, they still add four to nine cents to every dollar in goods and services produced in our country. The typical household spends 17 percent of its after-tax income on transportation.

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U.S. Transportation Secretary
Norman Mineta

All modes of transportation are important for the movement of cargo in Michigan. The state is in the unique position to provide the right mix of modes for the most cost-effective transportation of raw and finished materials.

Our investment in a diverse transportation network is especially important with the increasing reliance on just-in-time delivery. Nearly a third of all U.S. production depends on just-in-time delivery. Just-in-time doesn't necessarily mean overnight, it means arriving when it is needed. Michigan offers a full spectrum of transportation options, which creates more competition among reliable modes and more cost-effective transportation of goods needed for production.



Aviation contributes \$10 billion annually to Michigan's economy. Eighteen airports serve 28 domestic and international passenger airlines.

The Midwest's newest crown jewel in the air transportation business is the recently completed \$1.2 billion midfield terminal at Detroit Metro Airport. The state-of-the-art facility will address the anticipated surge in passenger demand through the next 25 years. Metro also is the state's largest cargo facility, handling a quarter-million tons per year.

A major part of the midfield terminal project is a new, sixth runway providing Detroit Metro with one of the best airfields in the world, with comparable capacity to airports like Chicago O'Hare and Atlanta Hartfield. It was the only new major runway built in the country in 2000 and 2001. It increases Metro's capacity by as much as 50 percent during peak times. Since it takes 10 years to build a new runway, and the nation's capacity requirements are expected to almost double in the next decade, Michigan clearly is ahead of the curve.

MDOT helps Michigan airports invest more than \$100 million annually in system improvements.

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including new and resurfaced runways, terminal upgrades and navigational aids.

To help guide our investments in Michigan's aviation system, MDOT drafted the Michigan Airport System Plan. This planning document identifies the airports that can best respond to state goals and objectives and provides a framework for future airport development funding decisions.

Michigan's economy benefits from a system of rail lines that extends to all corners of the state, connecting with the major Canadian rail terminals, as well as Chicago, Toledo, Green Bay and all of North America.



Tens of thousands of passengers board Amtrak trains each year for destination points across the United States and Canada.

Track upgrades and new high-tech train controls in southwest Michigan have boosted Amtrak train speeds to 90 miles per hour along certain segments of the Detroit-to-Chicago corridor. It is the only corridor outside the Northeast where the track meets federal standards for speeds of more than 100 miles per hour.

Besides passenger service, one quarter of all cargo in Michigan is shipped by rail. Nearly 4,000 miles of mainline track link manufacturers with raw material suppliers and help get finished goods to market.

The metropolitan Detroit area is one of the 10 largest generators of intermodal freight in the United States.

Development of the proposed Detroit Intermodal Freight Terminal complex could reduce truck traffic by more than 450 million vehicle miles during the next 20 years, resulting in decreased air pollution, fewer crashes and reduced highway congestion.

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Michigan's extensive rail system and proximity to Canada put it in an excellent position to benefit from increasing interna-

tional trade spurred by the North American Free Trade Agreement.

Construction of the Canadian National Tunnel under the St. Clair River at Port Huron in the early 1990s provided for the movement of double-decker rail cars. It is the world's largest international underwater rail tunnel and was one of the largest construction projects of the past decade in North America.

Besides the movement of goods under the river, MDOT joined with our Canadian neighbors to build a second span of the Blue Water Bridge. The bridge is the third busiest international crossing between the two countries and the second busiest commercial crossing in North America. Commercial traffic carries more than \$320 million in goods across the bridge each day.



Commercial ports are a key component of Michigan's transportation system, handling approximately one quarter of the state's cargo.

Michigan has more commercial ports on the Great Lakes than any other state and our ports handle a larger volume of Great Lakes traffic than any other state.

Moving a ton of cargo by water uses half the fuel of moving it by rail. It's much more economical to ship cement, limestone, grain and other materials by water when their sources are close to Great Lakes ports.

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Michigan is at an advantage because of the different modes of transportation available.

Public transportation helps open up opportunities for both urban and rural areas of the state.



Certainly not everyone relies on a personal vehicle to get where they want to go. Public transit and intercity bus services are essential to moving people to and from work, shopping and recreational destinations.

Lack of transportation can be a serious barrier to holding a job. Through Project Zero, MDOT has formed partnerships with local transportation providers and welfare recipients. Gov. John Engler

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started the statewide program with just six sites in 1996. There are now 82 sites helping public assistance recipients find work.

MDOT works with providers to keep intercity buses rolling for all riders. The department restored bus service in the Upper Peninsula in 1999 to provide travelers a connection to both downstate Michigan and the national bus system.

Michigan's comprehensive system of roads and bridges is the underpinning of our mobility, supporting 4 million workers and a gross state product of \$308 billion annually.



Highway accessibility often rates as one of the most important factors in site-location decisions of manufacturing firms. Transportation improvements also can lower the personal cost of travel, reduce the cost of shipping for businesses and boost home values.

Besides those bridges on the state system for which we are responsible, special federal and state funding enables us to help local road authorities address their most pressing bridge needs. There are about 235 bridges slated to receive \$86 million in work under the Critical Bridge Program. Many of them are functionally obsolete and stand in the way of local economic development.

MDOT's Transportation Economic Development Fund also helps communities support private-sector development and job creation and retention efforts. In the past few years, we have invested \$100 million in transportation improvements that are leveraging \$4 billion in private-sector investment linked to 30,000 jobs.

Roads and bridges are not the only thing that MDOT takes care of to maintain a superb transportation network. Through specially dedicated federal funds,



MDOT invests 10 percent of our Federal Surface Transportation dollars in bike/pedestrian paths, streetscapes, historic transportation facilities, ground water runoff mitigation and other nontraditional transportation enhancements. The Enhancement Program has rallied hundreds of Michigan communities and businesses who use the projects as catalysts for further economic efforts.

Despite a few high-profile roadways under construction, such as M-5 in Oakland County and M-6 in Kent County, just 8 percent of our capital investment is going into new roads. MDOT's five-year road and bridge strategy calls for 92 percent of our budget to go toward repairs, rebuilding projects, safety improvements and maintenance.

It's not just where roads are located, but how well the entire network is functioning that is important. The more efficient and effective our mobility, the stronger the economy.

It's easy to see how transportation investments that yield efficiency and effectiveness translate into direct savings for consumers and industries. Every penny spent improving transportation infrastructure measurably benefits those who rely on it.

We view our investments in transportation as adding value to the production of goods and services rather than costs. Transportation construction is a \$153 billion per year industry in the United States, generating more than 1.6 million private and public sector jobs nationwide.

With this in mind, we are very concerned with maintaining the investments made in our infrastructure to keep Michigan competitive.

When we built the Interstate system in the 1950s and 60s, no one really thought much about what it would take to maintain the system. Many people assumed the roads would last forever, but of course they did not. What we should have done was put a plan in place that assured certain dollars would be

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available 30 or 40 years from then to take care of the system.

We are trying to think ahead now, so that when the capital investment needs arise there will be funds available to do the jobs. Which is better, to wait until your house needs painting before financing it, or to put a little money away every year to be ready for what you know will be needed down the road?

Our Capital Preventive Maintenance Program is designed to extend the lives of existing highways using the most economical repairs. It is one of the largest, most varied programs of its kind. The program has attracted national attention and is expected to save millions in future highway reconstruction.

Our Five-Year Road and Bridge Program, started in 1999, helps us plan our work. Our aggressive strategy involves using the right mix of fixes, with the highest priority given to preserving and maintaining the current system.

We have been entrusted with taking good care of the state's transportation assets. So, we have been focusing a great deal of our energy on an initiative that will move us in the right direction by helping us make better investment decisions.

We are making
and managing
investments that hold their
value in the long run.

We have a term for it:
Asset Management.
It allows us to show
Michigan taxpayers
that we are not just
spending their money. We

are making and managing investments that hold their value in the long run. This pays dividends through improved mobility and economic opportunity.

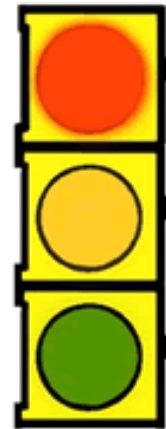
Asset management will help us move forward in the 21st century and become the "go to" agency that our customers can depend on for efficient and cost-effective transportation solutions.

By working with our local and federal partners, we will continue to ensure that the right investments

are made at the right time. This will be key in preserving the system and making Michigan's mobility -- the lifeblood of our economy -- the best in the world.



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If you have any questions about this or any transportation-related issue, please contact us:

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